

Testimony of Duane Zavadii

on behalf of the

Independent Petroleum Association of Mountain States

before the

Committee on Resources

Energy and Mineral Resources Subcommittee

United States House of Representatives

February 12, 2004

Madam Chairman, members of the committee, my name is Duane Zavadil, Manager of Regulatory and Government Affairs for Bill Barrett Corporation. Bill Barrett Corporation is a privately held, oil and natural gas exploration and production company based in Denver, Colorado. Today, I am testifying on behalf of the Independent Petroleum Association of Mountain States. IPAMS represents the majority of independent oil and natural gas producers in the Intermountain West. Independent producers drill 85 percent of the wells, and produce 40 percent of the oil and 65 percent of the natural gas in the United States.

I would like to thank this committee for focusing its attention on energy supply and the impacts that high energy prices have on American consumers and industries. I believe we urgently need a comprehensive energy strategy that addresses gas production in the Intermountain West, and specifically the management of federally owned natural gas in the Intermountain West.

As our population and economy have grown, so has our desire for clean, affordable, and reliable energy. Unfortunately, energy supply has not kept pace with demand and consumers and industries alike are experiencing the hardships of high energy prices. Natural gas, in particular, has shown considerable price volatility due to the tight balance between natural gas supply and demand that has been evident since 2001 (figure 1).

One of the factors leading to currently high natural gas prices has been the lack of a national strategy to increase supplies of natural gas - including abundant supplies of federally owned natural gas from the Intermountain West. Entities such as the National Petroleum Council have been predicting since 1999 that demand for natural gas would steadily increase and that actions must be taken to address supply, yet passage of meaningful energy legislation continues to elude Congress.

A national energy strategy is needed to ensure the timely development of new supplies of natural gas. That strategy should focus on the regions where future supplies will be found and develop plans to encourage development in those regions. With an estimated 383 trillion cubic feet of natural gas or about 26% of the total natural gas in the U.S. Lower 48, the Intermountain West is a region that has the potential to become a much larger supplier of natural gas to the nation (figure 2). The region not only produces nearly 20 percent of the total natural gas production in the lower 48, it is also the only region that has consistently experienced growth in natural gas production over the last 20 years (figure 3). Natural gas development on non-park, non-wilderness lands in the Intermountain West could help ensure a sustainable and affordable supply of natural gas for consumers and industrial end users.

Since more than half of the mineral estate in the Intermountain West is owned by the federal government (figure 4), federal land managers like the Bureau of Land Management have an important role in ensuring the development of America's energy supplies. IPAMS believes that the BLM is earnestly trying to fulfill this role by examining bureaucratic impediments to natural gas development within the context of existing laws, inter-agency dynamics and available manpower. Recent policy directives being implemented by the Bureau of Land Management are good attempts to improve mineral development, but they may not be sufficient to yield the needed results.

IPAMS believes that a fundamental change in approach may be required to ensure the timely development of federally owned natural gas. The shift would move away from an "outcome neutral" approach to energy development to one that is more "outcome specific" – meeting America's energy needs. This approach would incorporate business principles in the management of federally owned minerals. And like a business, the BLM would be required to develop a plan with specific goals and objectives and strategies for meeting them. Working with industry, and other governmental agencies, the BLM could reverse engineer an efficient organization and process that is capable of meeting the current and predicted demand. This process would recognize the importance of thorough yet timely environmental analysis and protection of other valuable resources on public land. But, it would also respond quickly and efficiently to market signals, constantly adapting, as a business must.

In closing, Madam Chair I would like to thank you for the opportunity to appear before your committee and share IPAMS concerns and ideas. I believe that industry can meet the nation's growing energy demand for natural gas. But, it is really a shared responsibility of government and industry. It requires a partnership with clear goals and objectives. It is poor public policy to maintain a process that results in unnecessarily high prices for consumers and industry. Continued inaction amounts to benign neglect toward America's families and industries.

As always, we stand ready to work with the Committee and the Bureau of Land Management as we all endeavor to find solutions for this important issue.

Figure 1 U.S. Natural Gas Consumption and Domestic Production

Figure 2 The Intermountain West is projected to be the largest domestic source of natural gas in the future.

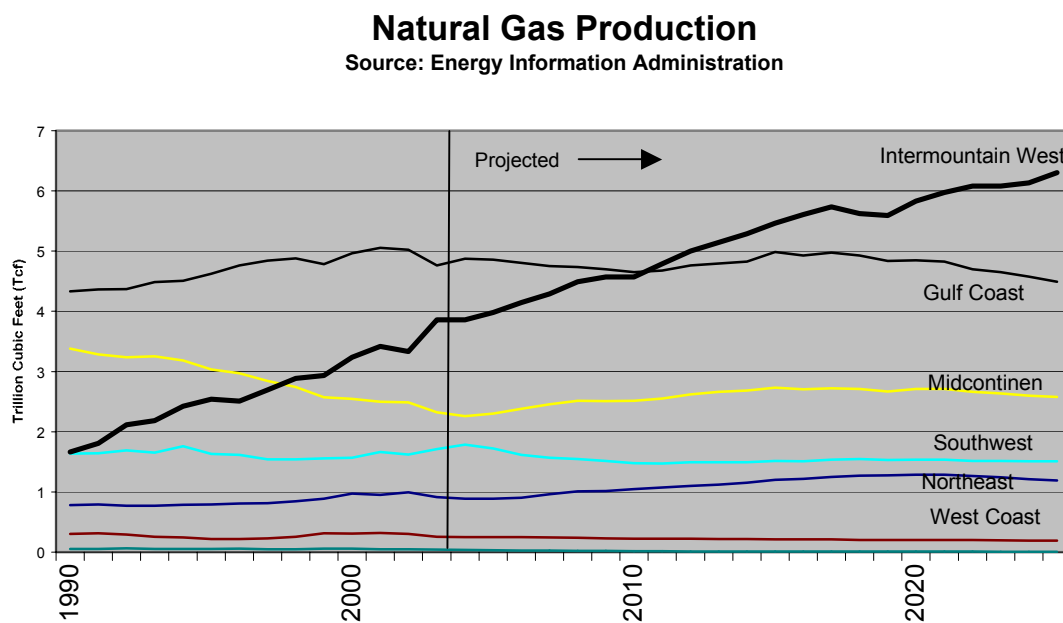
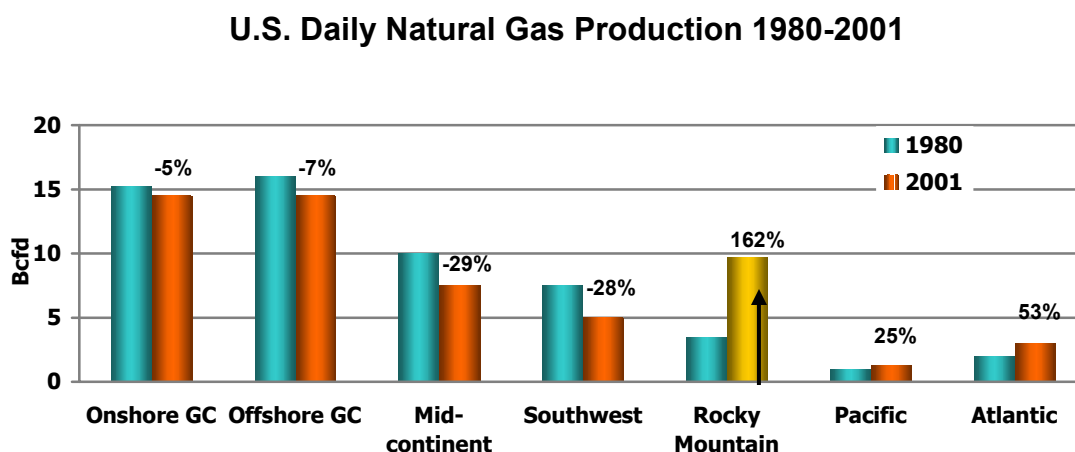
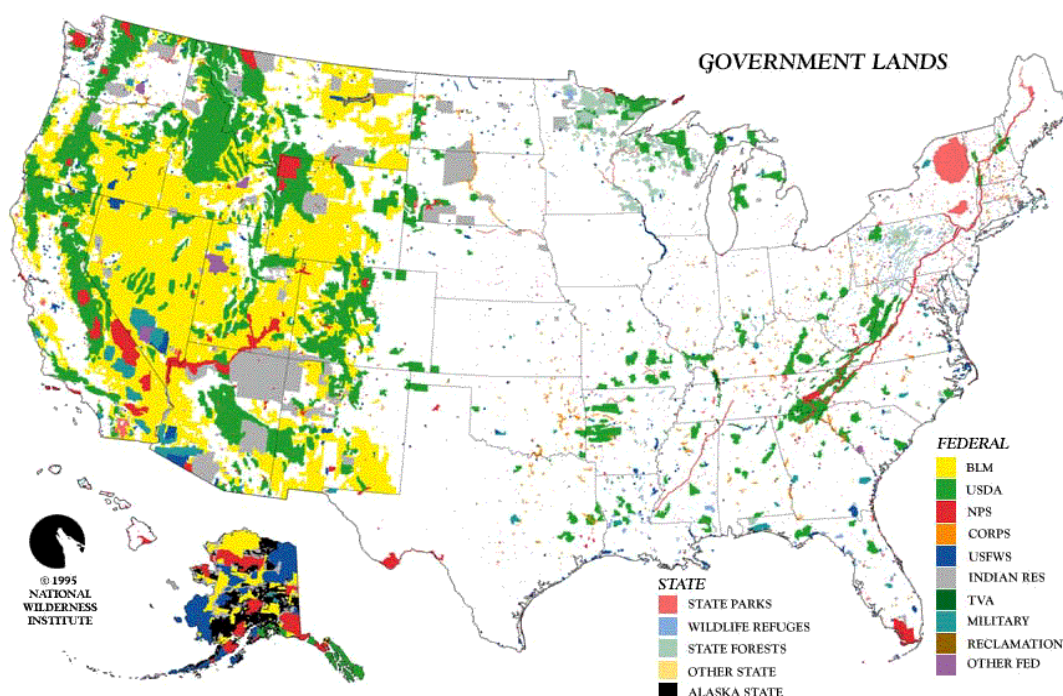


Figure 3 The Intermountain West has experienced the most significant growth in daily production over the last 20 years.



Source: National Petroleum Council and 2002 Potential Gas Committee Report

Figure 4 Most of the Prospective Oil and Natural Gas Resources in the Inter-Mountain West are Located on Federal Lands



63% of U.S. land in the Inter-Mountain West (Montana, Wyoming, Utah, Colorado, and New Mexico) is managed by federal and state governments (government ownership ranges from 49% in Colorado to 78% in Utah).